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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6969
INFO RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 1500
RUEHFR/AMEMBASSY PARIS IMMEDIATE 6575
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 8158
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 7018
RUEHHK/AMCONSUL HONG KONG IMMEDIATE 6864
RUEHNAG/AMCONSUL NAGOYA IMMEDIATE 4285
RUEHNH/AMCONSUL NAHA IMMEDIATE 9373
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 0836
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 7530
RUEHGH/AMCONSUL SHANGHAI IMMEDIATE 0633
RUEHIN/AIT TAIPEI IMMEDIATE 7504
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RHEHAAA/NSC WASHDC IMMEDIATE
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
RUEHBS/USEU BRUSSELS IMMEDIATE

UNCLAS SECTION 01 OF 02 TOKYO 002432

SENSITIVE
SIPDIS

STATE FOR E, EEB AND EAP/J
NSC FOR LOI, RUSSELL
USTR FOR AUSTR CUTLER, BEEMAN, LEE, AND HOLLOWAY

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [JA](#)
SUBJECT: GOJ BACKTRACKS ON POSTAL PRIVATIZATION, CHANGE OF
LEADERSHIP AT JAPAN POST

REF: A. TOKYO 2246
[1](#)B. TOKYO 1329
[1](#)C. TOKYO 1106

SENSITIVE BUT UNCLASSIFIED. CONTAINS BUSINESS SENSITIVE
INFORMATION.

[1](#)1. (SBU) SUMMARY: The GOJ announced plans to halt postal
privatization and undo reforms undertaken by the Koizumi
administration in 2007, following an October 20 cabinet
decision. Notably, the GOJ intends to introduce legislation
in the regular Diet session scheduled for January 2010 to
abolish the current law on postal privatization and to
legally guarantee universal basic postal savings and postal
life insurance services. The cabinet decision led to the
expected resignation of Japan Post Holdings Co. President
Yoshifumi Nishikawa, who will be replaced by former Ministry
of Finance Administrative Vice Minister Jiro Saito. END
SUMMARY.

DOING WHAT THEY SAID THEY WOULD DO

[1](#)2. (SBU) The coalition Cabinet of PM Hatoyama announced a
basic policy to reform Japan's postal service October 20,
three days ahead of schedule. Under the policy the
government will make basic postal, postal savings, and postal
life insurance services available throughout the country by
means of the nationwide network of post offices; utilize the
network of post offices as the base for one-stop
administrative services; legally guarantee universal basic
postal savings and postal life insurance services; review the
current four-company system under a holding company and
reorganize the business model while keeping the reorganized
entity a joint-stock company in order to ensure flexible
management; obligate the reorganized Japan Post Group to
disclose more information and strengthen its accountability;
and abolish the current law on postal privatization. One
press report said that enacting all of these changes will
require amendments to hundreds of laws and could take nearly
two years to complete.

13. (SBU) An insurance industry representative told Econoff the Democratic Party of Japan (DPJ) is "doing what they said they would do." He characterized the changes as close to the hearts of DPJ policy makers, but he did think the DPJ leadership was letting People's New Party leader and Minister for Financial Affairs and Postal Reform Shizuka Kamei go a little further and faster than what had been expected. Industry representatives do not view the Cabinet announcement as all bad news. The legislation will come early next year and will include an overall review of postal privatization. One representative said this will be a key time to drive home the point that a level playing field is required between Japan Post Insurance and the private sector.

JAPAN POST GROUP LEADERSHIP CHANGE

14. (SBU) After the Cabinet decision and as expected, Yoshifumi Nishikawa (71), President of Japan Post Holdings Company, announced he will resign his position October 28. Nishikawa's leadership became increasingly tenuous after he came under attack for the proposed sale of Japan Post's resort network early this year (Refs A-C). Both Hatoyama and Kamei repeatedly called for Nishikawa's resignation after the DPJ took power. In his press conference, Nishikawa, who had been appointed by former PM Koizumi, said he was resigning because of the "wide gap" between the company's business strategy as he had designed it and the new government's plans.

TOKYO 00002432 002 OF 002

15. (SBU) On October 21, the government announced that former Ministry of Finance (MOF) Administrative Vice Minister Jiro Saito (73) will replace Nishikawa. Saito is said to be close to DPJ Secretary-General Ichiro Ozawa. Press reports say during Saito's term at MOF he devised a way to finance public works projects via the sale of government-owned Nippon Telegraph and Telephone Corporation shares. This background would be consistent with Kamei's reported intention to use income from banking and insurance services to support rural regions and small and medium-sized businesses. The opposition Liberal Democratic Party (LDP) and some in the press have said Saito's appointment is hypocritical since the DPJ opposed the appointment of another former MOF official as a Bank of Japan governor last year when it was the minority party. Also noteworthy, Kamei reportedly said Saito would be good at developing new business for the companies in the group.

COMMENT

16. (SBU) While the Cabinet's decision is consistent with prior statements, the breadth of the proposed changes regarding postal privatization comes as a surprise. The Koizumi privatization reforms, including the promise of moving large amounts of resources from the public sector to the private sector, are dead. The new DPJ-led government clearly believes that the Koizumi reforms were neither good for the people, nor what the people wanted. As we have consistently said, this is a choice for Japan to make, and the USG neither favors nor opposes privatization. During the review period, we must continue to emphasize the importance of a level playing field between Japan Post group companies and the private sector. We must also remain vigilant regarding the approval of any new products during this tumultuous period.

ROOS